



Butte County Administration

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Date: November 14, 2017

To: Butte County Board of Supervisors

From: Meegan Jessee, Deputy Administrative Officer

Subject: Financial Report for Fourth Quarter of Fiscal Year 2016-17 & First Quarter of 2017-18

OVERVIEW

The Butte County financial report for the fourth quarter of fiscal year 2016-17 and the first quarter of fiscal year 2017-18 contains updates on the economy, expenditures, revenues, cash balances and long-term debts for the periods ending June 30, 2017 and September 30, 2017.

The financial report for the fourth quarter of fiscal year 2016-17 is combined with the financial report for the first quarter of fiscal year 2017-18 because significant accounting activity occurred for both periods through September 30, 2017. Many revenues received and expenditures made between June 30, 2017 and September 30, 2017 were recorded in the fourth quarter of fiscal year 2016-17 because they were related to revenue earned or services received in the 2017-18 fiscal year.

Economy: The U.S. economy experienced the strongest two consecutive quarters of growth since 2014 during the fourth quarter of fiscal year 2016-17 and the first quarter of fiscal year 2017-18. The economy was powered by strong consumer spending, as well as increases in exports and both retail and wholesale inventories. An increase in inventories points to an expectation consumer spending will continue to strengthen.

Expenditures: Expenditures by County departments occurred much as anticipated for the fiscal year ending June 30, 2017. At the end of the fourth quarter, the County had expended \$462 million from a budget totaling \$538 million, which is about 86%.

Expenditures for the quarter ending September 30, 2017 are on track. Overall, the County expended \$93 million during the first quarter, which is 17% of the budget.

Revenues: Discretionary revenues received during fiscal year ending June 30, 2017 were approximately \$1.6 million lower than budgeted compared to previous years where revenues have come in higher than budgeted. The shortfall was due to a combination of lower growth than estimated in property tax and Prop 172 public safety sales tax and a negative unrealized loss adjustment. Overall, through the end of the fiscal year, the County received 91% of budgeted revenues, which is lower than previous years.

Revenues received during the first quarter of the current fiscal year are 13% of the budgeted amount. Most county revenues are received later in the fiscal year which results in low first quarter revenue receipts.

Year End Fund Balances: The total General Fund balance at June 30, 2017 was \$23.7 million. Of this total, \$8.8 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2017 was \$14.9 million. This is approximately \$3.3 million less than anticipated in the Recommended Budget. As a result, the General Fund Contingency for fiscal year 2017-18 was been reduced from \$7.5 million to \$4.4 million.

Other governmental fund balances totaled approximately \$155.7 million. All of the fund balances in the other governmental funds are restricted, committed or assigned. Internal service funds' restricted net assets totaled \$4.8 million. Enterprise funds' restricted net assets totaled \$29.6 million.

Cash Balances: The General Fund operating cash balance was approximately \$25.5 million at the end of June 2017, compared to \$31.8 million the prior year. At the end of September 2017, General Fund operating cash was \$3.3 million. This is about \$7.2 million less than the first quarter ending balance one year prior which is largely consistent with the 3rd quarter cash levels related to higher payrolls and expenditures of one-time funds for one-time projects.

Debt: During the fourth quarter of the last fiscal year and the first quarter of this fiscal year, principal payments totaling \$2.1 million and interest payments of \$1.2 million were made against long-term debt obligations. During the same period, the County secured financing in the amount of \$2,658,000 for the design and construction of infrastructure improvements on the Oroville Government Center campus.

ECONOMIC UPDATE

Gross Domestic Product: U.S. Gross Domestic Product (GDP) measures the market value of all final goods and services produced within the country. The advance estimate for the first quarter of fiscal year 2017-18 shows GDP almost unchanged at an annual gain of 3.0%, following a 3.1% increase during the fourth quarter of fiscal year 2016-17. The solid rise in the first quarter was despite the damage caused by two hurricanes. An increase in consumer spending has been supported by ongoing labor market improvement and wage gains. Consumer confidence and business investment remain favorable. The economy is expected to continue to grow in the next quarter partly due to rebuilding and vehicle replacements in the areas affected by the hurricanes. Figure 1 (below) shows annualized GDP growth by quarter for the preceding ten year period.

Figure 1

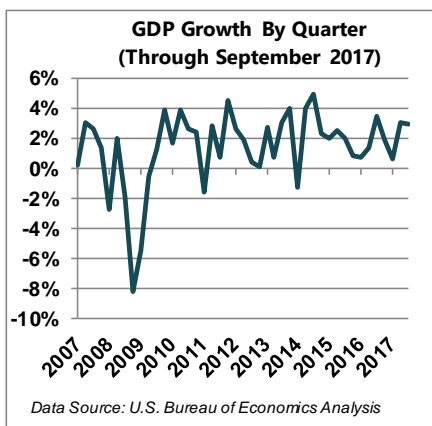


Figure 2

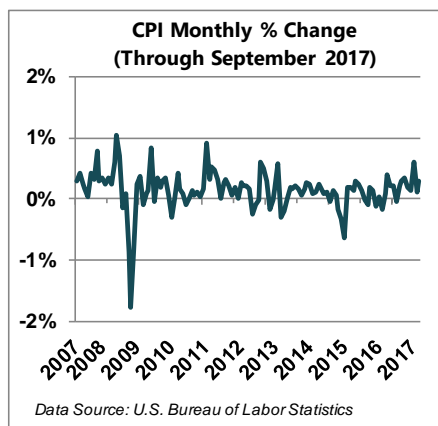
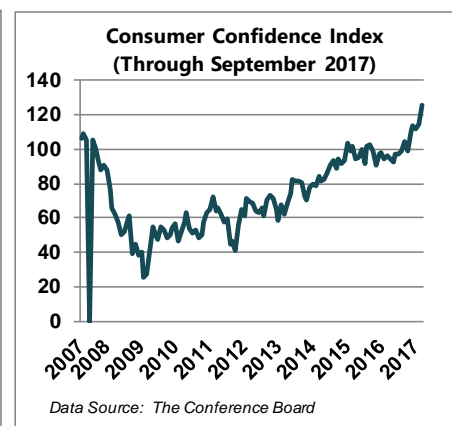


Figure 3

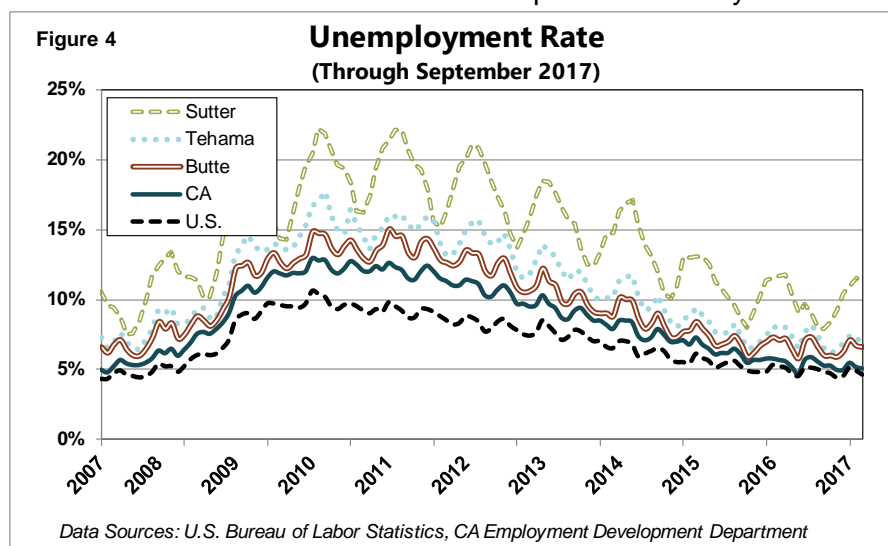


Consumer Price Index: The Consumer Price Index for All Urban Consumers (CPI-U) rose slightly during the fourth quarter of fiscal year 2016-17 and the first quarter of fiscal year 2017-18. The CPI measures the change in prices paid by consumers for a representative group of products and services used for day-to-day living and is used as an economy-wide measure of inflation. The CPI-U rose 0.5% during September after rising 0.1% and 0.4% in July and August, respectively. The gasoline index increased 13.1% in September and accounted for about three-fourths of the seasonally adjusted CPI-U increase in September. The increase in gas prices was due to shortages caused by hurricane Harvey in Texas. Other energy component indexes were mixed and the food index rose only slightly. The index for all items less food and energy, because of their volatility, increased by 0.1% in September, 0.2% in August, and 0.1% during June and July resulting in a core inflation rate of 1.7% at the end of the first quarter of fiscal year 2017-18. The Federal Reserve targets an inflation rate of 2.0%, which is considered a healthy economy. Economists expect the core inflation rate to increase during the second quarter of fiscal year 2017-18. The increase in inflation will likely result in the Federal Reserve increasing the Federal funds rate again in December. The Federal Reserve last increased the Federal funds rate by ¼ point in June 2017. The inflation rate is an important economic indicator. It reflects how fast prices are changing in the economy and where we are in the business cycle. Figure 2 on the previous page displays the seasonally adjusted month-to-month change in the CPI-U for the past ten years.

Consumer Confidence Index: Consumer confidence, as measured by the Conference Board’s Consumer Confidence Index (CCI), was 118.9 at the end of the fourth quarter of fiscal year 2016-17 and 119.8 at the end of the first quarter of fiscal year 2017-18, as compared to 104.1 at the end of the first quarter of fiscal year 2016-17. Consumers’ assessment of current conditions remains quite favorable and the expectations for the short-term suggest the economy will continue expanding at the current pace. The CCI index is considered to be neutral at 100, but an index above 100 is an indication consumers are optimistic about the future. Consumer optimism frequently results in the expansion of the economy. Consumer confidence is closely watched because spending by Americans accounts for approximately 70% of the economy’s growth. An index below 100 points to less consumer optimism and a likely contraction in spending and the economy.

Unemployment: The State’s seasonally unadjusted unemployment rate stood at 4.9% at the close of the fourth quarter of fiscal year 2016-17 and 4.7% at the close of the first quarter of fiscal year 2017-18. The rate in September was down from 5.4% in August of the current fiscal year and 5.3% in September 2016. The State’s unemployment rate remains above the national rate, which was 4.1% at the end of first quarter of fiscal year 2017-18.

Butte County’s unemployment rate at the close of the first quarter of fiscal year 2017-18 was 5.2%, the lowest rate in more than ten years, down from 6.0% at the end of the



fourth quarter of fiscal year 2016-17. Employers in Butte County added 1,400 nonfarm jobs to the economy since September 2016 with construction and health, educational, professional and business services providing the most new jobs. In September 2017, the size of the labor force in Butte County was estimated at 104,900, which was an increase of 1,500 from the previous month and up 1,400 from the previous year (September 2016). While the unemployment rate in Butte County remains higher than that of the State and the U.S., it remains lower than that of the neighboring counties of Sutter and Tehama (Figure 4).

Building Activity: Statewide, the monthly average of residential building permits issued decreased during the first quarter of fiscal year 2017-18 to 8,186 from the previous quarter monthly average of 11,810 permits, but exceeded the first quarter of fiscal year 2016-17 monthly average of 7,917 residential building permits. The number of building permits issued for the unincorporated area of Butte County slightly increased over the last year. An average of 263 building permits of various types were issued per month in the first quarter of fiscal year 2017-18, up from a monthly average of 248 in the previous quarter and 238 in the first quarter of fiscal year 2016-17.

Figure 5

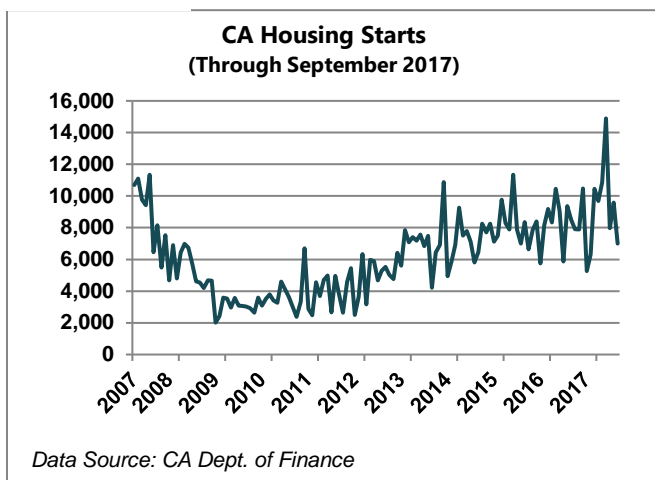
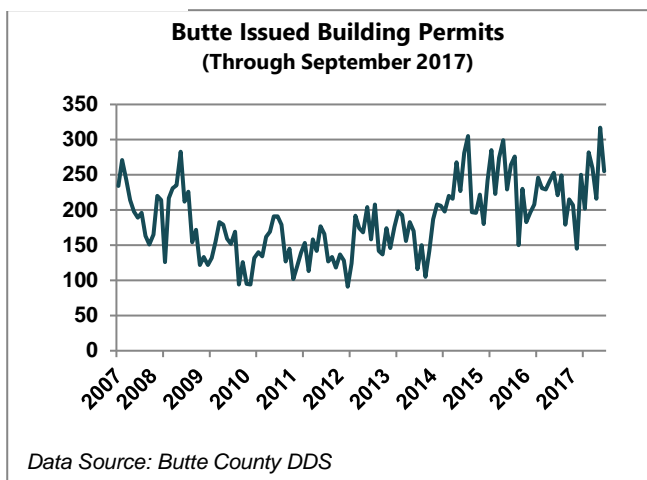


Figure 6



Home Sales: The median price of existing, single-family homes sold in California during September 2017 was \$555,410, a decrease of 1.8% from the previous month and a 7.5% increase from a year earlier. The number of existing home sales was 436,920, a 1.7% increase from September 2016. For Butte County, the median price of existing, single-family homes sold during September 2017 was \$311,900, a 7.2% increase from the previous month and a 13.4% increase from a year earlier. The number of existing home sales during September 2017 was down by 6.2% from September 2016.

FOURTH QUARTER EXPENDITURE REPORT

At the end of the 4th quarter the County had expended \$462.3 million¹ from a budget totaling \$538.1 million. As shown in Figure 7 on the following page, the County spent \$187.5 million on salaries and benefits, \$120.9 million on services and supplies, and \$90.9 million on other charges, such as payments between funds for services provided between County departments and contributions to other agencies. The remaining \$63 million in expenditures were for other financing uses and miscellaneous expenditures, which consist primarily of operating transfers and other charges between budget units.

¹For the purpose of this report the County budget includes all departmental operating budgets, non-operating budgets, internal service funds (for example Workers' Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility) as well as a number of miscellaneous budget units such as capital projects, CDBG grant programs and Debt Service. County Service Areas and appropriations for contingency are excluded.

The majority of these are transfers between departments and non-operating funds. Miscellaneous expenses include capital asset purchases. Overall, the County expended 86% of the budget in fiscal year 2016-17 compared to 89% the prior year largely due to budgetary savings in the Department of Employment and Social Services compared to prior year.

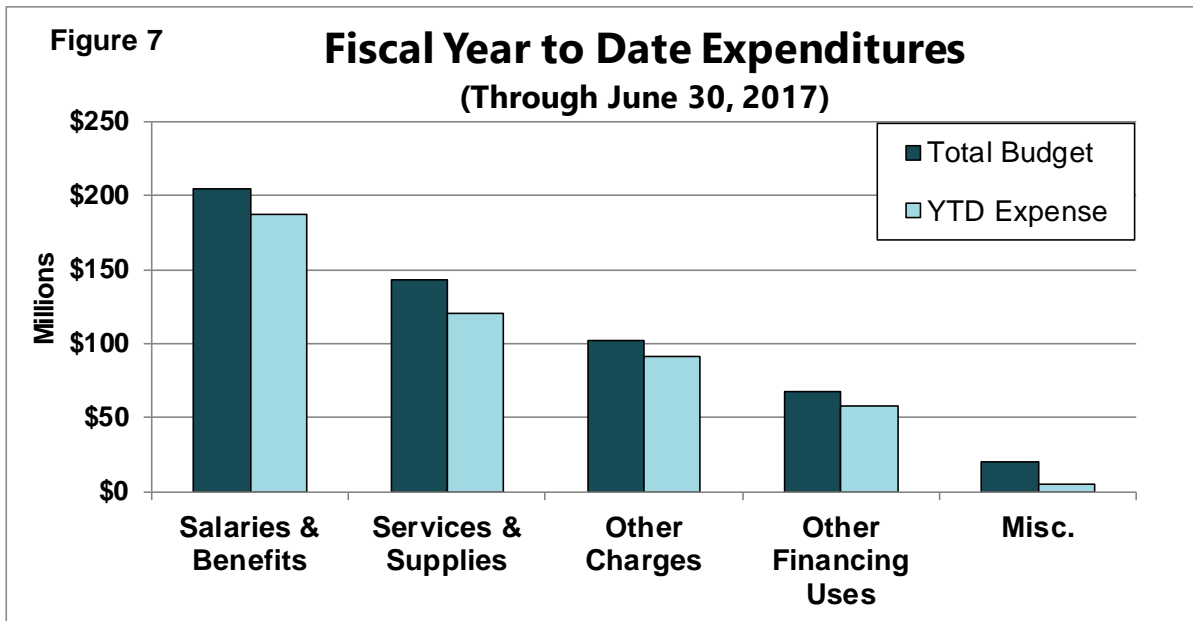


Figure 8 shows the percentage of budget expended by each County department. Most departments had expended between 80% and 100% of their budget. A number of departments had expenditures of less than 80% of budgeted amounts. These are noted as follows: County Administration had salary savings related to vacant positions, lower than anticipated professional services costs and purchases for grants that were not completed and have been rebudgeted to the current fiscal year. The County Clerk-Recorder had savings related to vacant positions, maintenance projects anticipated but not completed and elections costs. County Counsel had lower than expected professional services costs. Information Systems had salary savings related to vacant positions and only expended the design portion of the Chico Radio Substation project by the close of the fiscal year. The construction of the new Chico Radio Substation tower was rebudgeted in fiscal year 2017-18. Public Health expenditures were lower than expected due to the County Medical Services Program (CMSP) participation fees being waived by the CMSP Board, a building remodel delay and planned re-budget of a capital asset purchase to fiscal year 2017-18. Public Works originally anticipated construction of the Midway Bridge to begin in fiscal year 2016-17, but the project will begin this fiscal year. Additionally Public Works realized savings due to a variety of equipment purchases that are now expected to be completed in the current year.

The Neal Road Recycling and Waste Facility, which is accounted for in an enterprise fund, included current year capital purchases and improvements of approximately \$4.2 million. Due to accounting requirements for enterprise funds, annual depreciation is recorded as an expense for capital assets rather than the total cost of current year capital purchases. Additionally, the budget includes over \$1 million in principal debt payments that are not recorded as current year expenditures. The result of these accounting requirements is that some budgeted expenditures are unused. Finally, nearly \$1 million of capital improvements originally planned for fiscal year 2016-17 are now planned for fiscal year 2017-18, including the Module 5A Liner Installation and Septage Receiving Improvements.

Figure 8

Department Expenditures

(% of Total Budget-Through June 30, 2017)

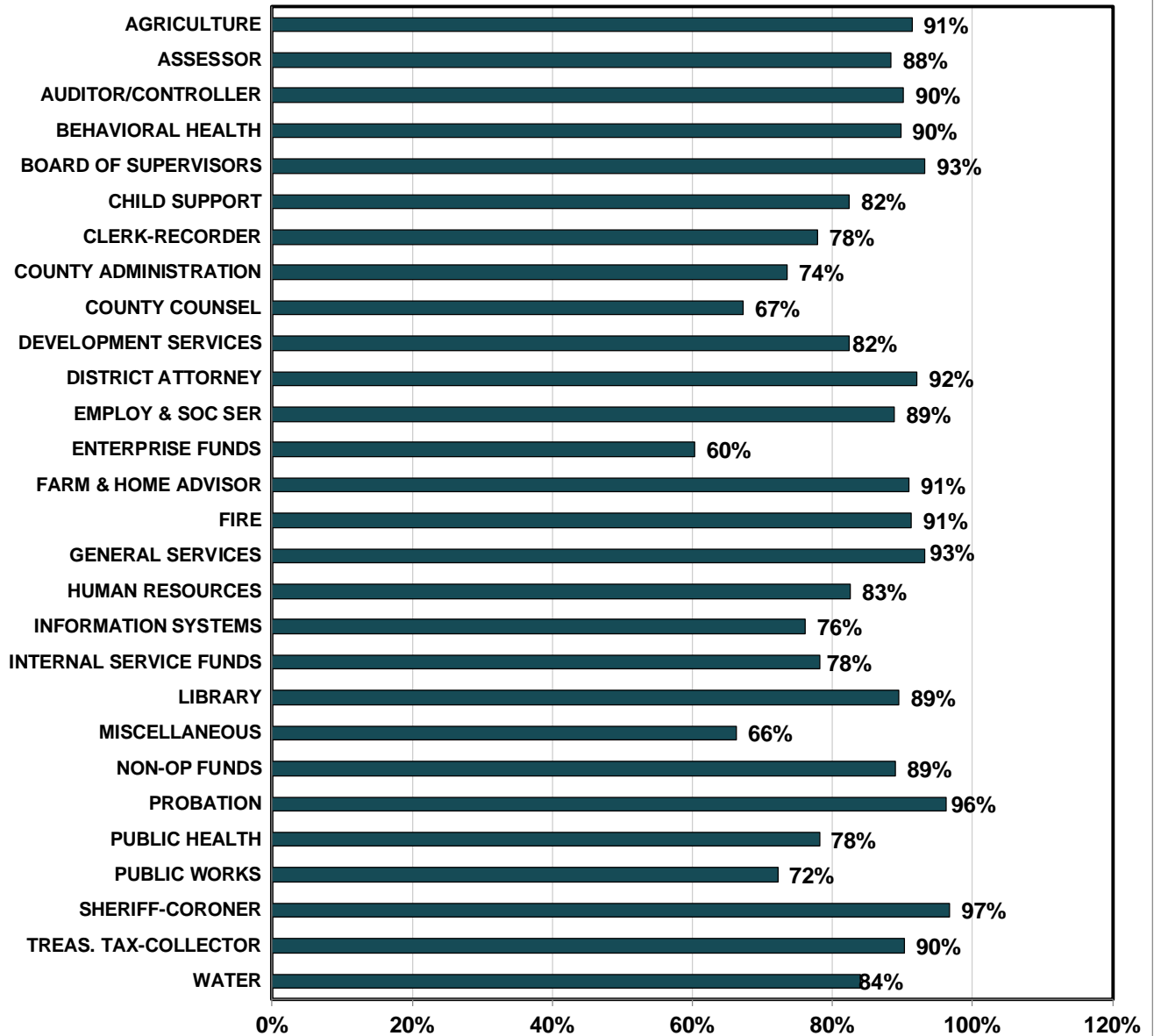
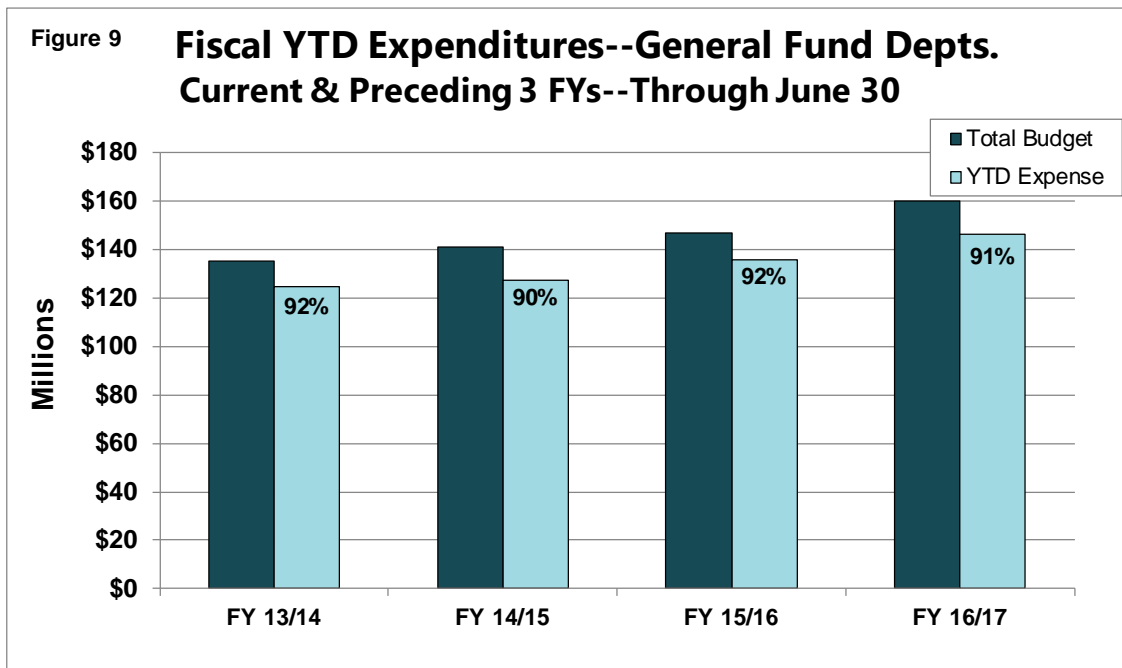
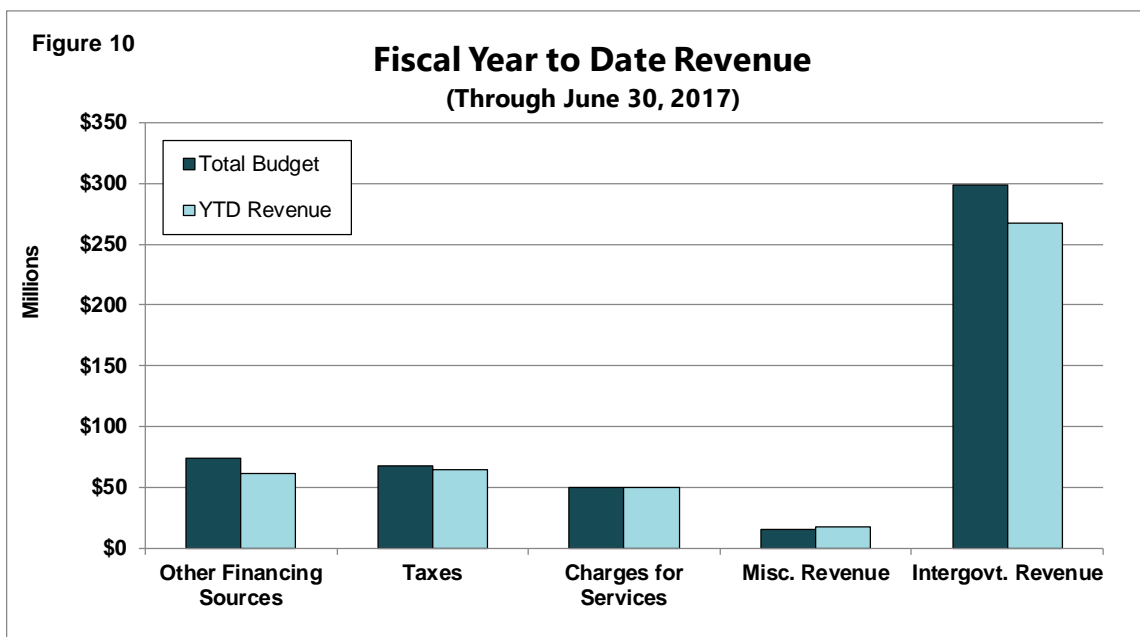


Figure 9 displays budgeted and actual expenditures at the close of the fourth quarter among General Fund departments. As shown in the graph, total expenditures among General Fund departments are consistently between 90% and 92% of the budgeted amount through the end of the fourth quarter.



FOURTH QUARTER REVENUE REPORT

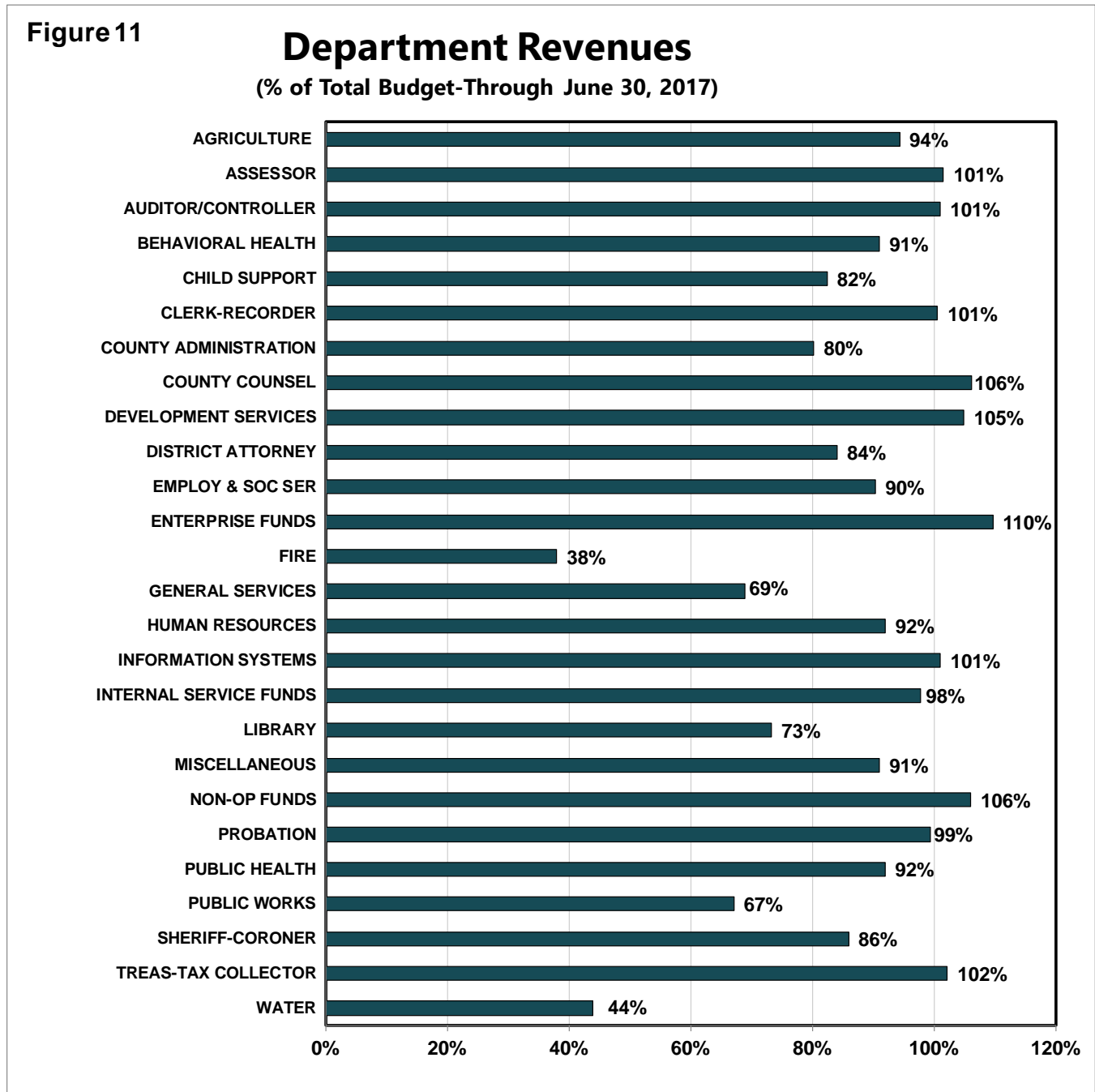
Through the fourth quarter of the fiscal year, as reflected in Figure 10, the County received 91% of budgeted² revenues compared with 98% and 96% respectively in the prior two years. This is due to a number of department's receiving less revenue than anticipated when compared to the prior years due to lower costs related to reimbursable items including lower revenues in the Department of Employment and Social Services due to lower expenditures, a shift of work to emergent issues that weren't



² For the purpose of this report the County's budgeted revenues include all departmental operating budgets, non-operating budgets, internal service funds (for example Workers' Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility), well as a number of miscellaneous budget units such as general purpose revenues, capital projects, CDBG grant programs and Debt Service. County Service Areas are excluded.

reimbursed in fiscal year 2016-17 such as routine maintenance and emergency response and lower general purpose revenues than budgeted.

Figure 11 shows revenues received by each County department through the end of the fourth quarter. Most departments received revenues between 80% and 110% of their budgeted amounts through the fiscal year. Five departments had revenue receipts less than 80% of budget. Fire revenues were lower primarily due to a planned transfer of funds from the Community Cost Share non-operating fund to purchase of a fire engine will not be completed until fiscal year 2017-18. General Services and Public

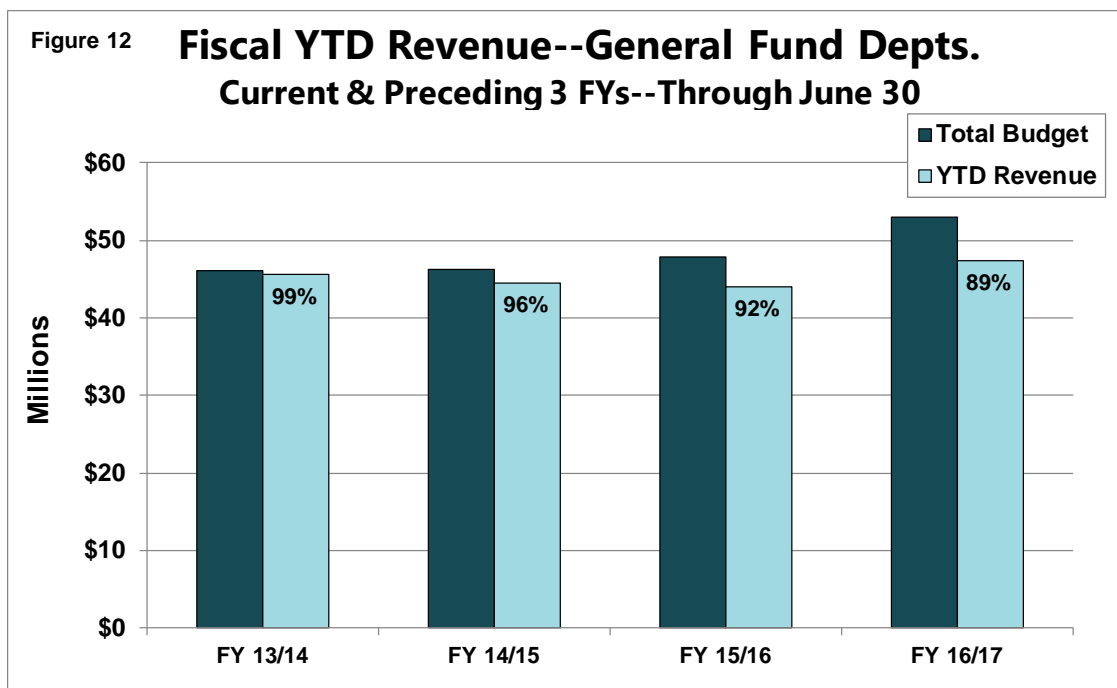


Works had lower than anticipated revenue related to projects that were budgeted but not completed, by the close of the fiscal year. Additionally General Services had higher routine maintenance costs due to urgent maintenance issues, which will not be reimbursed until cost plan charges are allocated in fiscal year 2018-19 as well as emergency response costs which should be reimbursed to the County in fiscal year 2017-18. The Library had lower than anticipated revenues due to projects planned at the Chico

branch library that will be completed in the current fiscal year and incorrectly budgeting the CDBG reimbursement for the Digital Literacy Coach program. The Water Department planned to receive grant monies for expenses occurring in fiscal year 2016-17, but revenue not be received until fiscal year 2017-18.

The response to the Oroville Spillway emergency, which began in February of 2017, resulted in unanticipated expenditures, 93.75% of which will be reimbursed from FEMA and CalOES. The County is expecting approximately \$650,000 in reimbursement, \$444,000 of which is General Fund revenue, in fiscal year 2017-18 to reimburse costs related to the Spillway. Additionally the County has outstanding invoices related to the Spillway event, which have not yet been paid, totaling over \$1 million dollars. These payments will be scheduled to coincide more closely to FEMA/CalOES payments. The County has submitted all the claims and hopes to begin receiving reimbursements in the coming months. Additional reimbursement for current year costs for fire emergency response are also anticipated.

Figure 12 displays budgeted and actual revenues at the close of the fourth quarter among General Fund departments. In fiscal year 2016-17 departments received 89% of budgeted revenues, a slight reduction from fiscal year 2015-16 due to the items discussed above. The larger reduction from fiscal years 2013-14 and 2014-15 is due to an accounting change which better reflects funds that have been both received and used by departments. In prior years, revenues were received, but restricted for a specific purpose and included in the General Fund. Beginning in fiscal year 2015-16, those restricted revenues are accounted for in separate non-operating funds and transferred to the general fund as they are used.



General Purpose Revenue: General Purpose Revenues (included in Figure 11 on page 8 as part of the miscellaneous budget unit) ended the year lower than budgeted. In total, the County received 98% of budgeted general purpose revenue in contrast to prior years where the County has received more revenue than budgeted. The approximately \$1.6 million less than budgeted was due primarily to lower than expected property tax revenues which came in \$3.3 million less than budgeted. This short fall was related to Teeter Plan proceeds that were budgeted at \$2.5 million under Property Taxes, however the revenues were recorded as Fines, Forfeitures, & Penalties (\$2.6 million) as well as Interest (\$240,000). Aside from Teeter Plan revenues, property tax revenues were approximately \$400,000 short of budget due to less growth than anticipated. Additionally, Prop 172 public safety sales tax revenues were lower based on the

County's share of the State sales tax and property tax administration fees were less than budgeted due to an accounting change. The posting of a negative \$323,052 "unrealized gain/loss" which

Account Title	Budget	YTD Receipts	YTD %
Property Taxes	61,068,000	57,803,576	95%
Prop 172 Sales Tax	16,841,300	16,123,765	96%
Local Sales Tax	5,076,000	5,053,435	100%
Property Tax Transfers	1,000,000	1,050,369	105%
Property Tax Administration Fees	1,833,000	1,484,217	81%
Other Taxes	430,000	474,438	110%
License & Permits	1,570,400	1,452,797	93%
Interest-County Treasury	277,000	573,684	207%
Lease Table A	3,660,000	3,657,445	100%
Fines, Forfeitures, & Penalties	1,297,000	3,836,779	296%
Tobacco Settlement Funds	1,900,000	1,950,265	103%
Other Misc. Revenues	1,517,000	1,422,392	94%
Total General Purpose Revenue	\$96,469,700	\$94,883,162	98%

documents the value of investments if they were liquidated on June 30th also negatively impacted revenues. The unrealized gain/loss is reversed July 1st.

YEAR END FUND BALANCE REPORT

The Auditor's Office spent the months of July, August, and September finalizing the accounting for the 2016-17 fiscal year. As the process wraps up and the Auditor's Office prepares the Comprehensive Annual Financial Report (CAFR), the June 30, 2017 unaudited ending fund balances in each of the County's Governmental Funds became known. In the coming months the 2016-17 financial results will be audited and published in the CAFR.

The total General Fund balance at June 30, 2017 was \$23.7 million. Of this total, \$8.8 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2016 was \$14.9 million. This is approximately \$8.5 million less than last year's available fund balance and \$3.3 million less than anticipated in the Recommended Budget. As a result, the General Fund Contingency target of \$7.5 million will be reduced by \$3.3 million so that the budget remains in balance. This will result in a General Fund Contingency for fiscal year 2017-18 of \$4.4 million.

The fund balance estimate completed during the preparation of the Recommended Budget assumed that there would be more savings from department budgets and assumed higher property tax revenues. The property tax revenue estimate was based, in part, on the May receipt of \$1.3 million in revenues related to the dissolution of the Redevelopment Areas that was made in error and reversed in August before the fiscal year 2016-17 books were closed. Additionally the outstanding \$444,000

reimbursement to the General Fund related to the Oroville Spillway emergency negatively impacted the General Fund balance.

The fund balances for the remaining operating Governmental Funds are shown in Figure 14 and in all cases are restricted, committed or assigned to the purpose of the fund or a specific project or program within the fund. For example the Public Health fund balance of approximately \$13.7 million is primarily Public Health Realignment funds that can only be used for Public Health, and the Road Operations fund balance of almost \$3.3 million is limited to road projects. The remainder of the governmental funds are non-operating funds which hold restricted revenue not spent in the year it is received. The balance of each of the County's non-operating funds is shown in Attachment A starting on page 20.

Figure 14

Unaudited Fund Balances-Governmental Funds (Through 4th Quarter)

Fund No.	Fund Name	Total Fund Balance	Restricted / Committed / Assigned Fund Balance	Available / Unassigned Fund Balance
0010	General Fund	23,655,561	8,798,397	14,857,164.39
0020	Social Services Fund	4,979,317	4,979,317	-
0021	Public Health Fund	13,679,209	13,679,209	-
0022	Behavioral Health Fund	9,763,538	9,763,538	-
0025	Child Support Services Fund	3,010	3,010	-
0030	Road Operations Fund	3,289,708	3,289,708	-
0038	POB Debt Service Fund	11,784,666	11,784,666	-
0039	Debt Service Fund	5,488	5,488	-
0041	Capital Project Fund	2,589,872	2,589,872	-
0101	Sheriff - Equip. Replacement	1,607,637	1,607,637	-
0102	District Attorney - Equip. Replacement	77,363	77,363	-
0103	Fire - Equip. Replacement	2,049,672	2,049,672	-
0104	Probation - Equip. Replacement	238,151	238,151	-
0105	Assessor - Equip. Replacement	24,738	24,738	-
0106	General Services - Equip. Replacement	30,571	30,571	-
0107	Information Systems - Equip. Replacement	3,068,078	3,068,078	-
0108	Internal Service Fund - Equip. Replacement	32,145	32,145	-
109	Agriculture - Equip. Replacement	28,795	28,795	-
0131	Transit - Local Tranp	7,145	7,145	-
0142	CDBG Program Grants	(143,316)	(143,316)	-
0143	CDBG - Program Income Fund	3,818,514	3,818,514	-
0144	HOME Program Income Fund	255,230	255,230	-
0150	Fish & Game Fund	121,638	121,638	-
Included in Attachment A - Non-Operating Funds		44,782,694	44,782,694	-
Total Governmental Funds		125,749,424	\$ 110,892,259	\$ 14,857,164

In addition to the governmental funds displayed in the chart above, the County has internal service funds and enterprise funds, both of which are accounted for somewhat differently than the governmental funds. Instead of a year end fund balance for the internal service and enterprise funds, net position is reported at year end. Generally accepted accounting principles require that governmental funds are accounted for using modified accrual accounting, while internal service and enterprise funds are required to be accounted for with accrual accounting. The most significant

difference between total fund balance in the governmental funds and net position in the internal service and enterprise funds is that net position includes buildings and other assets owned by the fund, but not fully depreciated. Governmental fund balances do not include capital assets.

The internal service funds are used to account for insurance and utility costs borne by the organization and then charged to benefiting departments. The positive net position in the internal service funds will continue to make it possible to collect lower premiums from departmental budgets than their incurred costs (Figure 15).

The enterprise funds are used to account for the operations of the Neal Road Recycling and Waste Facility. The Closure-Corrective Action Fund will ensure that adequate funds are available for the ultimate closure of the facility while the Neal Road Recycling and Waste Management Fund reflects the financial operations of the facility. CalRecycle provides guidance regarding the post closure liability and the required funding level. Annually, the County makes a transfer to meet the required funding level. The fund had a total of \$5.2 million in cash at the end of the year to be used Post Closure. The positive cash balance is offset by the post closure liability. The Enterprise Funds are in compliance with requirements set in statute and administered by CalRecycle for current Closure and Corrective Action Fund obligations as well as a State approved instrument to satisfy 30-year Post Closure Maintenance Obligations (Figure 16).

Figure 15
Unaudited Fund Balances-Internal Service Funds
(Through 4th Quarter)

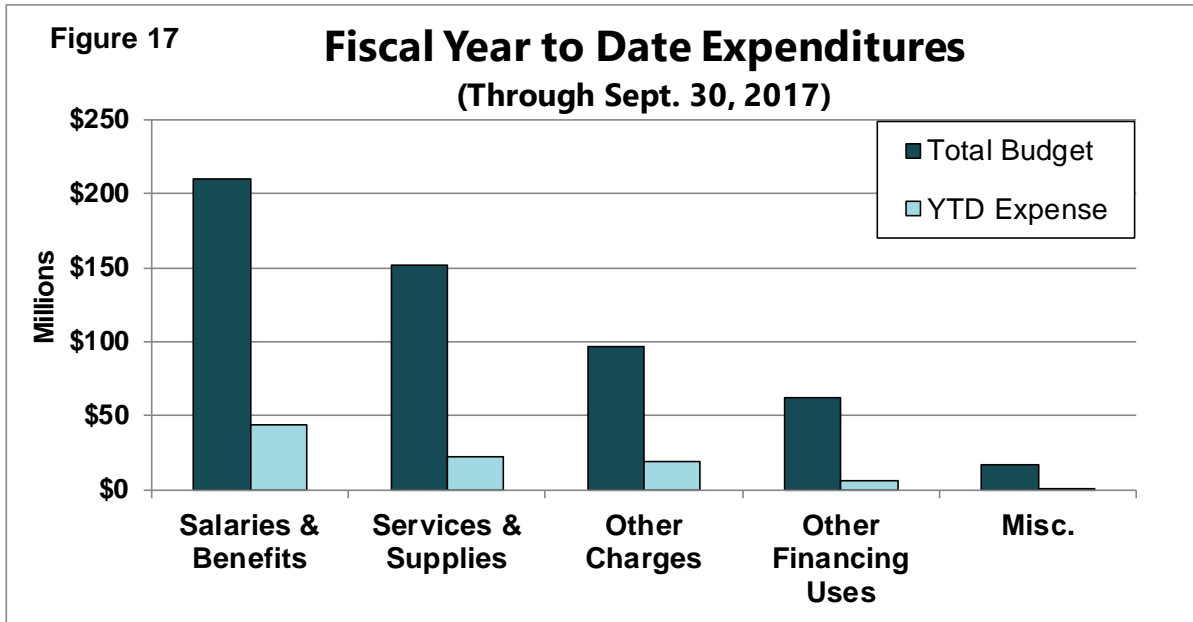
Fund No.	Fund Name	Net Position
7100	Self Insurance Fund	966,552
7110	Workers Compensation Fund	3,131,175
7120	Unemployment Insurance	212,429
7140	Medical Liability Insurance	13,507
7160	Miscellaneous Insurance	26,097
7210	Utilities Clearing	493,093
Total Internal Service Funds		\$ 4,842,853

Figure 16
Unaudited Fund Balances-Enterprise Funds
(Through 4th Quarter)

Fund No.	Fund Name	Net Position
7560	Neal Rd Clsr-Cor Actn Fund	(1,953,591)
7570	Neal Rd Recycling & Waste Mgt Fund	31,578,126
Total Enterprise Funds		\$ 29,624,535

FIRST QUARTER EXPENDITURE REPORT

At the end of the first quarter, the County had expended \$93 million³ from a budget totaling \$538.8 million. As shown in the graph below (Figure 17), the County spent \$44.4 million on salaries and benefits, \$22.1 million on services and supplies, \$19.4 million on other charges, such as payments between funds and contributions to other agencies and \$6 million on other financing uses. The remaining \$1 million in expenditures were miscellaneous expenditures such as capital asset purchases. Overall, the County expended 17% of the budget through the first quarter. Although 25% of the fiscal year elapsed between July 1st and September 30th, typically expenditures are less than 25% at the end of the first quarter.



The graph on the following page (figure 18) shows the percent of budget expended by each County department. The majority of departments expended 10% to 25% of their budget through September, which is typical for this early in the fiscal year. Through the first quarter the internal services funds category was the only unit that expended more than 25% of planned expenditures. The internal service funds include General Liability, Workers' Compensation and other risk management funds, and the Utilities Fund. Most of the County's insurance premiums are paid in the first quarter of the fiscal year which accounts for the higher percent of budget expended then other areas of the County.

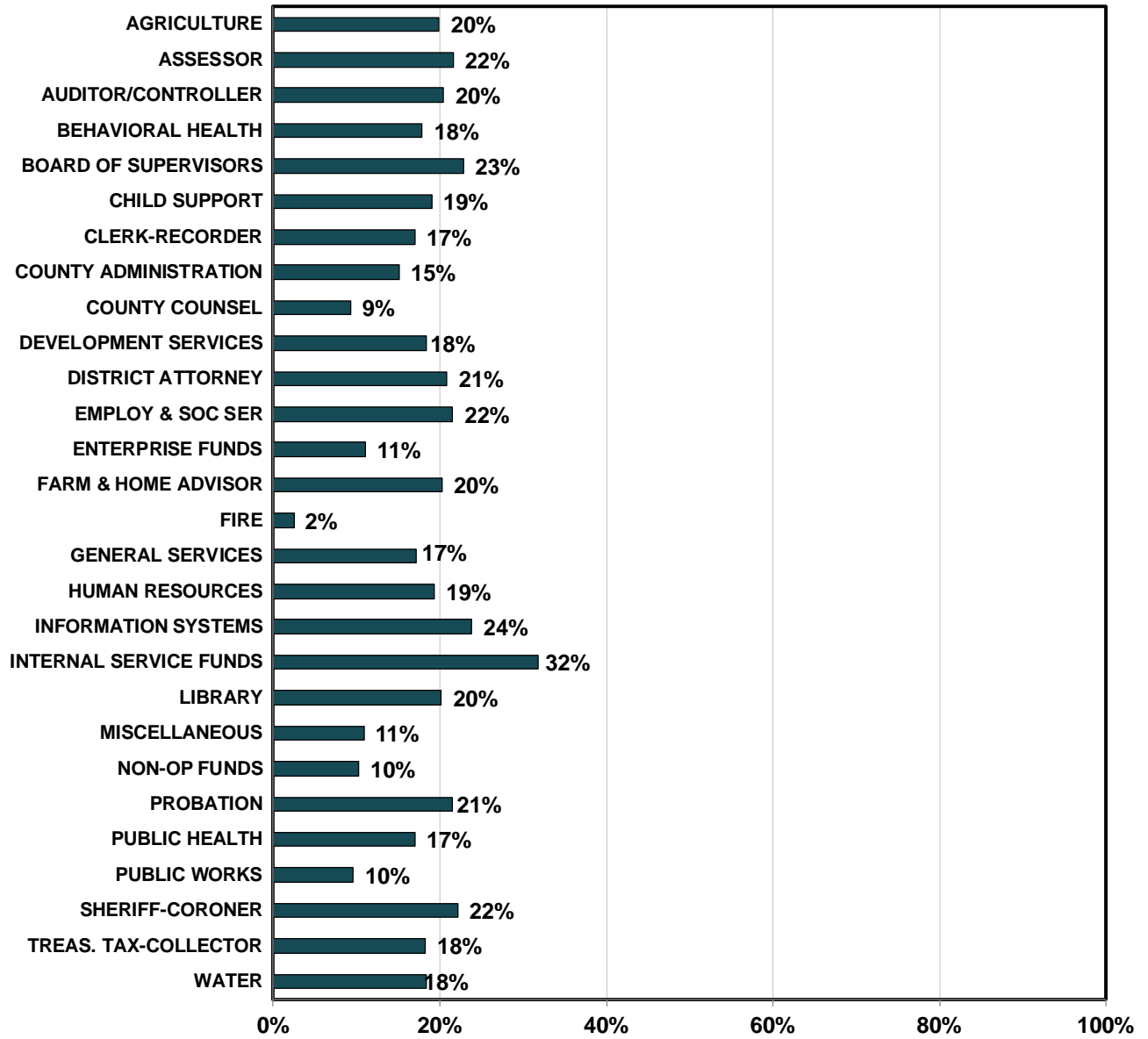
A few departments expended less than 10% of their budget for the year; however this is consistent with prior year results. The Fire budget, for example, includes the State CAL FIRE agreement and the first quarter invoice is not anticipated until later in the year. County Counsel's expenses are lower due to minimal use of outside legal counsel during the first quarter of the year.

³ For the purpose of this report the County budget includes all departmental operating budgets, non-operating budgets, internal service funds (for example Workers' Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility), non-operating funds as well as a number of miscellaneous budget units such as capital projects, CDBG grant programs and Debt Service. County Service Areas and appropriations for contingency are excluded.

Figure 18

Department Expenditures

(% of Total Budget-Through Sept. 30, 2017)



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FIRST QUARTER REVENUE REPORT

Through the first quarter of the year the County received 9% of budgeted revenues⁴. Although first quarter revenues appear low, the results are consistent with prior years.

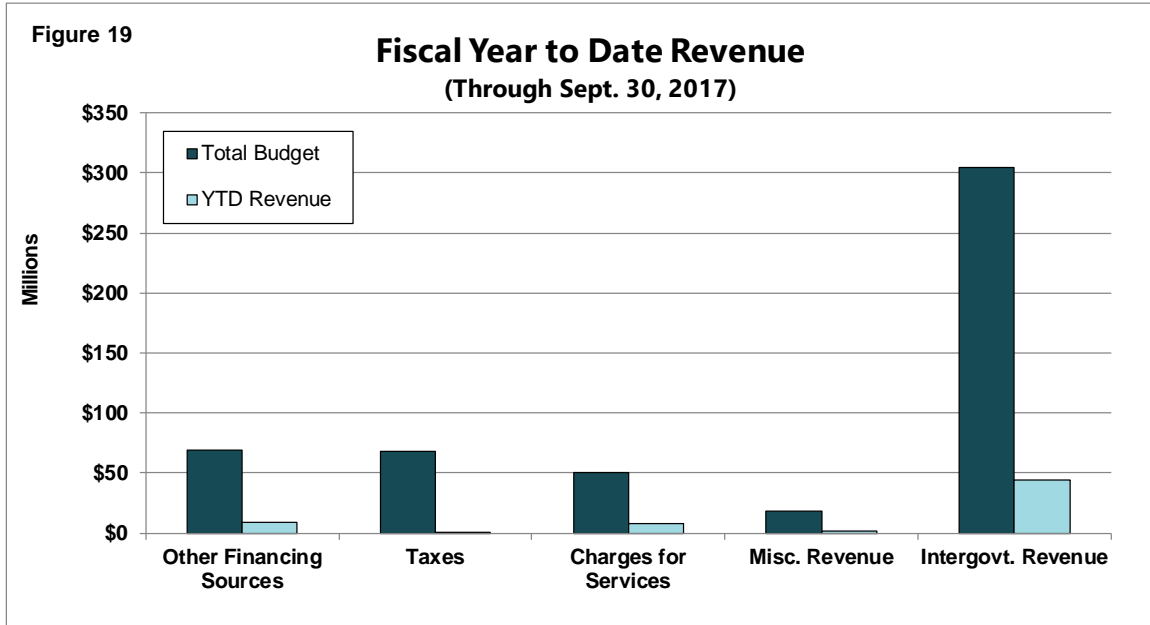


Figure 20 on the following page shows revenues by each County department to date as a percentage of budget. At this point in the fiscal year, it is typical for departments to have wide variations in the percentage of budgeted revenue collected.

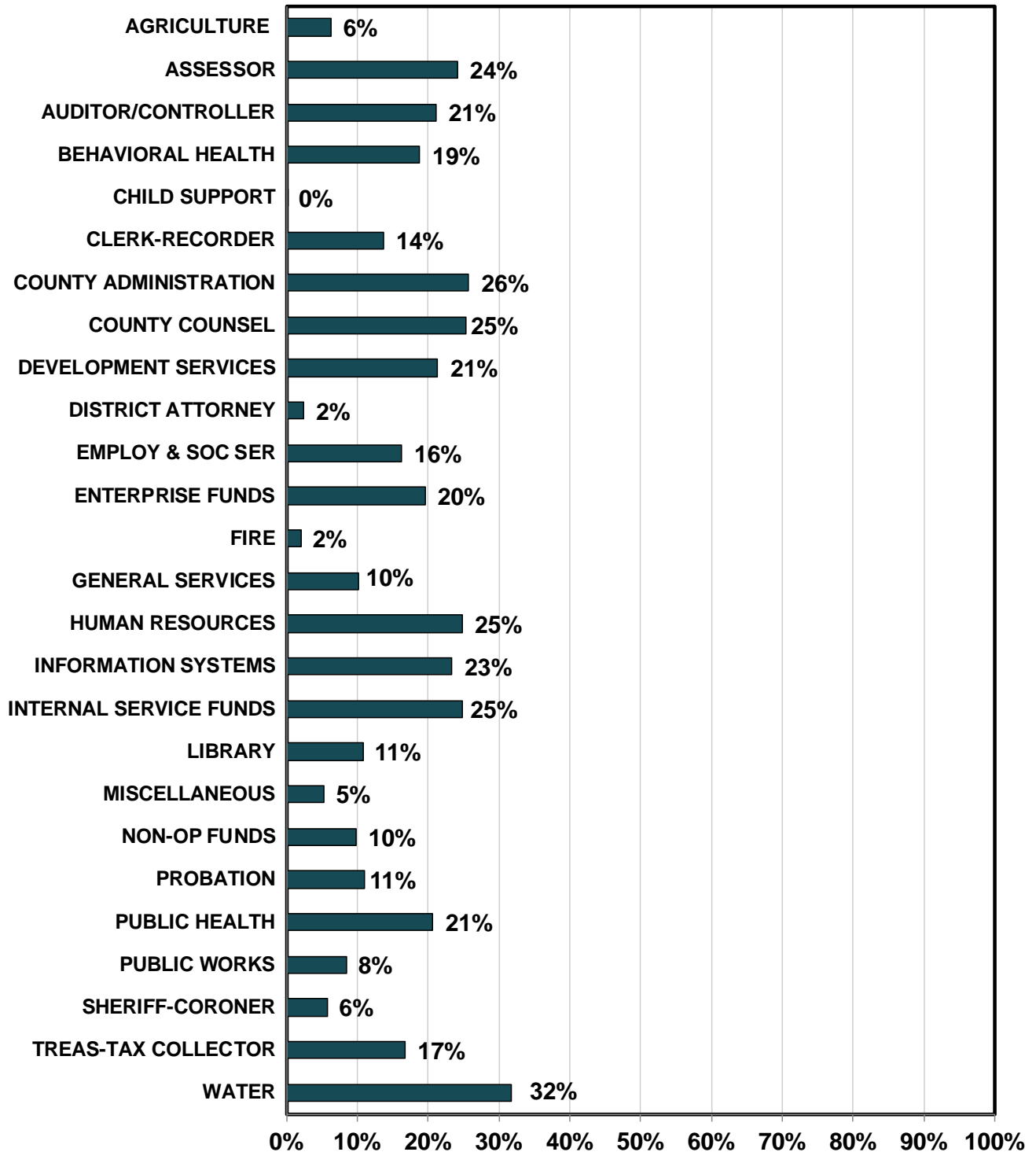
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⁴ For the purpose of this report the County's budgeted revenues include all departmental operating budgets, internal service funds (for example Workers' Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility), non-operating funds as well as a number of miscellaneous budget units such as general purpose revenues, capital projects, CDBG grant programs and Debt Service. County Service Areas are excluded.

Figure 20

Department Revenues

(% of Total Budget-Through Sept. 30, 2017)



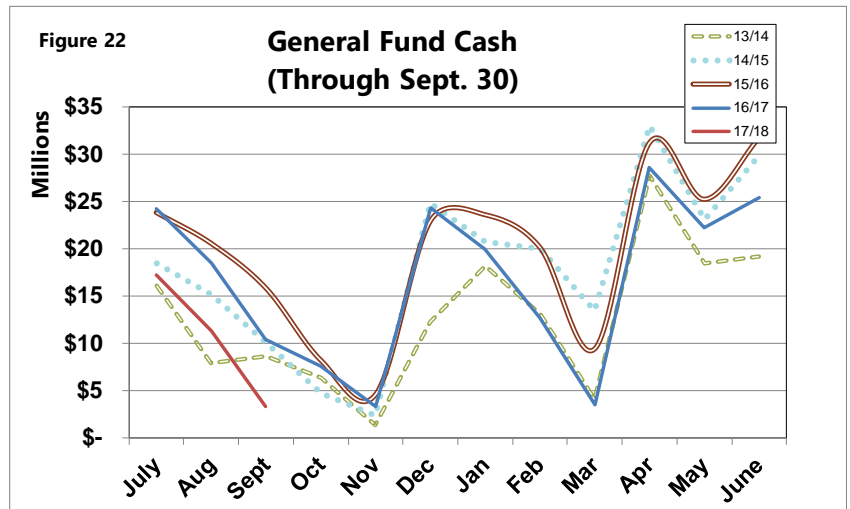
General Purpose Revenues: Similar to overall County revenues in the first quarter of the fiscal year, general purpose revenue receipts are low. Through the first quarter, the County only received 2% of budgeted general purpose revenues. The single largest component of general purpose revenue is property tax and the first installment will not be received until the second quarter. Similarly, the County has only received one month of sales tax revenues. The table below shows year to date receipts of general purpose revenue. Based on revenues received through June 30, 2017, early projections for fiscal year 2017-18 discretionary revenues indicate revenues may come in approximately \$500,000 lower than budgeted, however it is still very early in the year. Staff will continue to closely monitor these revenues throughout the year and provide updates.

Figure 21 General Purpose Revenue Receipts
(Through 1st Quarter)

Account Title	Budget	YTD Receipts	YTD %
Property Taxes	61,860,000	-	0%
Prop 172 Sales Tax	16,900,000	1,260,953	7%
Local Sales Tax	5,152,000	546,766	11%
Property Tax Transfers	1,060,000	292,708	28%
Property Tax Administration Fees	1,466,000	-	0%
Other Taxes	467,000	4,136	1%
License & Permits	1,441,000	116,859	8%
Interest-County Treasury	477,000	-	0%
Lease Table A	3,700,000	39	0%
Fines, Forfeitures, & Penalties	3,399,000	61,311	2%
Tobacco Settlement Funds	1,900,000	-	0%
Other Misc. Revenues	1,631,000	88,545	5%
Total General Purpose Revenue	\$99,453,000	\$2,371,317	2%

CASH BALANCES

The General Fund cash balance at the end of the fourth quarter of fiscal year 2016-17 was \$25.5 million, compared to \$31.8 million the prior year. By the end of the first quarter of fiscal year 2017-18, the operating cash declined to \$3.3 million, compared to \$10.5 million at the end of the first quarter of fiscal year 2016-17. The \$7.2 million year over year decrease continues the trend in lower cash levels at the end of 2016-17. The decline is due to higher payroll, the expenditure of funds on one-time projects such as the regional radio project, and somewhat less revenue growth than anticipated. Additionally, the County's expenses related to the support of emergency operations have not yet been reimbursed.



LONG-TERM DEBT

The Long-Term Debt schedule, Figure 23, presents balances as of September 30, 2017.

During the first quarter of the current fiscal year, the County entered into the 2017 Facility Lease Financing with Compass Bank to finance \$2,658,000 of the total project costs of \$2,758,429 for the Government Campus Infrastructure Improvements project. The project consists of the design and construction of improvements for the utility infrastructure on the Oroville Government Center site. The financing is for a term of fifteen (15) years, with semi-annual lease payments of \$110,635 at a fixed annual interest rate of 2.99%.

Figure 23 LONG-TERM DEBT (THROUGH SEPTEMBER 2017)					
Type of Debt	Original Loan Amount	Current Balance		Avg. Annual Payment*	Maturity Date
Bonds Payable					
Pension Obligation Bonds					
-Series A	28,020,000	27,360,000		2,716,359	6/1/2034
-Series B	21,875,000	20,385,000		1,837,181	6/1/2034
Total Bonds Payable	\$ 49,895,000	\$ 47,745,000		\$ 4,553,540	
Certificates of Participation					
2014 Hall of Records Certificates of Participation	8,000,000	7,402,954		357,152	7/1/2054
2010 Bangor Fire Station #55 Renovation Project	1,100,000	951,333		55,523	8/1/2050
Total Certificates of Participation	\$ 9,100,000	\$ 8,354,287		\$ 412,675	
Capital Leases					
Motorola Solutions Inc. - Equipment Lease/Purchase	7,166,380	7,166,380		757,453	12/15/2026
Chico Memorial Hall - 492 Rio Lindo	583,400	159,328		61,156	4/10/2020
Chico Memorial Hall - 554 Rio Lindo	670,900	168,955		62,275	4/10/2020
Ford Motor Credit Company	34,059	17,003		9,235	2/22/2019
2017 Government Campus Infrastructure Financing	2,658,000	2,658,000		110,635	10/1/2032
Total Capital Leases	\$ 11,112,739	\$ 10,169,666		\$ 1,000,754	
Notes Payable					
California Energy Commission					
-Solar Project Phase 1	2,777,000	399,860		277,181	12/22/2018
Total Notes Payable	\$ 2,777,000	\$ 399,860		\$ 277,181	
Neal Road Recycling and Waste Facility					
2006 Certificates of Participation Refunding	4,220,000	3,195,000		1,102,396	7/1/2020
Lease/Purchase - JPMorgan Chase Bank	558,924	115,750		117,804	12/24/2017
Lease/Purchase - JPMorgan Chase Bank	500,000	204,896		104,976	2/20/2019
Lease/Purchase - JPMorgan Chase Bank	816,393	816,393		171,039	11/15/2021
Total Neal Road Recycling and Waste Facility	\$ 6,095,317	\$ 4,332,039		\$ 1,496,215	
TOTAL LONG-TERM DEBT	\$ 78,980,056	\$ 71,000,852		\$ 7,740,365	

*From FYE 6/30/17 to maturity per amortization schedules

During the fourth quarter of fiscal year 2016-17 and the first quarter of the current fiscal year, the County made a total of \$3,303,618 in debt payments, \$2,102,000 of which resulted in principal reductions as detailed in Figure 24.

Debt Description	Principal Paid	Interest Paid
Pension Obligation Bonds Series A	\$280,000	\$834,978
Pension Obligation Bonds Series B	\$455,000	\$141,185
2014 Hall of Records Certificates of Participation	\$102,000	\$131,337
2010 Bangor Fire Station #55 Renovation Project	\$15,000	\$19,327
Chico Memorial Hall-492 Rio Lindo	\$45,965	\$15,192
Chico Memorial Hall-554 Rio Lindo	\$50,845	\$11,430
California Energy Commission-Solar Project Phase 1	\$128,190	\$10,400
2006 Certificates of Participation Refunding	\$1,025,000	\$37,769
TOTAL DEBT PAYMENTS	\$2,102,000	\$1,201,618

Figure 25 displays the County's long term debt over a period of ten years as a percentage of the total assessed value of County property and debt per County resident.

Fiscal Year	Governmental Activities (A)				Neal Road Recycling and Waste Facility - Business Type Activities (B)				Total Outstanding Debt (A+B)	Debt Ratios	
	Bonds	Loans/Notes	Certificates of Participation	Capital Leases	Loans	Certificates of Participation	Capital Leases	Lease-Purchase Agreements		Primary Government	Debt as a % of Assessed Property Values
2008	\$ 50,575	\$ 2,703	\$ 2,650	\$ 1,134	\$ 400	\$ 12,025		\$ 20	\$ 69,507	0.3854%	\$ 315
2009	\$ 50,492	\$ 2,494	\$ 2,300	\$ 1,029	\$ 350	\$ 12,025		\$ 20	\$ 68,710	0.3680%	\$ 311
2010	\$ 50,403	\$ 2,278	\$ 1,945	\$ 922	\$ 300	\$ 11,300		\$ -	\$ 67,148	0.3739%	\$ 308
2011	\$ 49,895	\$ 2,053	\$ 2,680	\$ 832	\$ 250	\$ 10,550		\$ -	\$ 66,260	0.3634%	\$ 299
2012	\$ 49,895	\$ 1,819	\$ 2,237	\$ 792	\$ 200	\$ 9,770		\$ -	\$ 64,713	0.3452%	\$ 292
2013	\$ 49,895	\$ 1,575	\$ 1,835	\$ 699	\$ 150	\$ 8,960		\$ 559	\$ 63,673	0.3437%	\$ 288
2014	\$ 49,545	\$ 1,322	\$ 1,422	\$ 611	\$ 100	\$ 8,115		\$ 951	\$ 62,066	0.3303%	\$ 280
2015	\$ 49,075	\$ 1,059	\$ 7,696	\$ 1,283	\$ 50	\$ 6,320		\$ 745	\$ 66,228	0.3326%	\$ 288
2016	\$ 48,480	\$ 654	\$ 8,583	\$ 450	\$ -	\$ 6,320		\$ 534	\$ 65,021	0.3082%	\$ 294
2017	\$ 47,745	\$ 400	\$ 8,471	\$ 7,512	\$ -	\$ -	\$ 4,220	\$ 1,137	\$ 69,485	0.3281%	\$ 309
2018	\$ 47,745	\$ 400	\$ 8,354	\$ 10,170	\$ -	\$ -	\$ 3,195	\$ 1,137	\$ 71,001	0.3177%	\$ 313

Unaudited Fund Balances Non-Operating Funds (Through 4th Quarter)

Fund No.	Fund Name	Total Fund Balance	Restricted / Committed / Assigned Fund Balance	Available / Unassigned Fund Balance
5000	Electronic Recording Fund	66,932	66,932	
5001	SSN Truncation Fund	87,867	87,867	
5002	Recording Systems Fund	2,135,147	2,135,147	
5003	Micrographics Fund	296,418	296,418	
5004	Vital Health Fund	7,051	7,051	
5005	DA - Federal Forfeiture Fund	142,178	142,178	
5006	DA - Treasury Federal Seizure	510,794	510,794	
5007	DA Criminalist Lab Fund	31,051	31,051	
5008	Criminal Justice Facilities Construction Special Revenue Fund	1,875,185	1,875,185	
5009	Probation - Ward Welfare Fund	139,762	139,762	
5010	Probation - CPIA/SB678 Fund	1,112,265	1,112,265	
5011	Inmate Welfare Fund	1,709,325	1,709,325	
5012	DNA ID Local Share Fund	102,364	102,364	
5013	Civil Equipment Fund	290,827	290,827	
5014	Vehicle Maintenance/Replacement Fund	260,127	260,127	
5015	Crime Prevention Fund	5,546	5,546	
5016	Drug and Gang Activity Fund	255,790	255,790	
5018	Sheriff - Federal Revenue Sharing Fund	743,969	743,969	
5019	Sheriff - Treasury Federal Seizure Fund	52,004	52,004	
5020	Survey Monument Fund	292,369	292,369	
5021	Community Cost Share Fund	1,028,159	1,028,159	
5022	Water Tender Earnings Fund	747,084	747,084	
5023	Library Donations	161,540	161,540	
5024	Probation - Title IV-E Fund	766,342	766,342	
5025	DA - State/Local Forfeiture Fund	182,971	182,971	
5026	DA - Environmental and Consumer Protection Fund	292,980	292,980	
5027	DA - Real Estate Fraud Prosecution Trust Fund	295,137	295,137	
5028	PROB - MCRP Participant Fund	4,014	4,014	
5050	POB Debt Service Fund	-	-	
5052	Bangor Reserve Fund	37,280	37,280	
5054	Hall of Records Reserve Fund	75,739	75,739	
5055	Jail Project Reserve	2,789,892	2,789,892	
5101	Domestic Violence Fund	96,325	96,325	
5102	Child Abuse Prevention Fund	16,066	16,066	
5120	Public Health - Rural Health Education Tobacco Fund	101,968	101,968	
5121	Public Health - Emergency Medical Services Fund	136,917	136,917	
5122	Public Health - Vital/Health Statistics Fund	308,162	308,162	
5123	Public Health - Emergency Preparedness Fund	174,612	174,612	
5124	Public Health - Hospital Preparedness Program Fund	91,829	91,829	
5130	Prop 63 MHA Fund	3,227,618	3,227,618	
5131	Alcohol Education Fines Fund	351,701	351,701	
5132	Drug Education Fund	120,051	120,051	
5200	Road Improvements Contribution Fund	571,091	571,091	
5201	Countywide General Government Facilities	1,113,677	1,113,677	
5202	Jail Facilities	137,102	137,102	
5203	Sherriff Facilities Pre-2007	-	-	
5204	Chico Street Improvement Fund	665,999	665,999	

Unaudited Fund Balances Non-Operating Funds (Through 4th Quarter)

Fund No.	Fund Name	Total Fund Balance	Restricted / Committed / Assigned Fund Balance	Available / Unassigned Fund Balance
5205	Criminal Justice Facilities	113,468	113,468	
5206	Unincorporated General Government Facilities	202,349	202,349	
5207	Health & Social Services Facilities	29,710	29,710	
5208	Countywide Thermalito Traffic Fund	160,182	160,182	
5209	Thermalito Drainage Fund	192,547	192,547	
5210	Drainage Deposits Fund	150,543	150,543	
5211	Subdivision Drainage Fund	1,162,319	1,162,319	
5212	Library Facilities	376,429	376,429	
5213	Community Development Fund	23,491	23,491	
5215	Transportation Facilities Fund	1,714,461	1,714,461	
5216	Fire Hydrants Durham Irrigation	1,299	1,299	
5217	Fire Hydrants Yuba Co	4,189	4,189	
5218	Fire Hydrants Cal Water	8,326	8,326	
5219	Fire Hydrants Del Oro	1,003	1,003	
5220	Fire Hydrants OWID	21,999	21,999	
5221	Fire Hydrant TID	4,738	4,738	
5222	Sheriff Facilities	348,684	348,684	
5223	Fire Facilities	1,057,421	1,057,421	
5224	Battalion #1 Water Tender Impact Fee	694	694	
5225	Battalion #6 Water Tender Impact Fee	1,190	1,190	
5226	Battalion #7 Water Tender Impact Fee	1,779	1,779	
5227	North Chico Specific Plan Trails Fund	30,898	30,898	
5228	North Chico Specific Plan Roads and Bridges Fund	115,440	115,440	
5229	North Chico Specific Plan Storm Drainage Fund	223,110	223,110	
5230	North Chico Specific Plan Fire Station Fund	76,017	76,017	
5231	North Chico Specific Plan Parks Fund	131,048	131,048	
5232	Drainage Area 770 - Butte Creek Fund	698	698	
5233	Drainage Area 771 - Comanche Creek Fund	1,672	1,672	
5234	Drainage Area 772 - Little Chico Creek Fund	16,942	16,942	
5235	Drainage Area 773 - Big Chico Creek Fund	19,047	19,047	
5236	Drainage Area 774 - Lindo Channel Fund	29,009	29,009	
5237	Drainage Area 775 - Sudad Ditch Fund	30,810	30,810	
5238	Drainage Area 776 - Mud Creek/Sycamore Creek Fund	108,375	108,375	
5239	Drainage Area 777 - PV Ditch Fund	242	242	
5501	Community Corrections Partnership Fund	7,977,323	7,977,323	
5502	2011 Youthful Offender Block Grant Fund	1,324,347	1,324,347	
5503	2011 COPS - Juvenile Justice Fund	796,087	796,087	
5504	2011 Local Innovation Subaccount Fund	30,772	30,772	
5505	COPS - Jail Fund	178,163	178,163	
5506	2011 Rural County Assistance Fund	2,431,861	2,431,861	
5507	2011 CALOES Fund	580,074	580,074	
5508	COPS - DA Fund	85,854	85,854	
5509	DA Revocation Fund	195,082	195,082	
5510	Protective Services Fund	1,119,007	1,119,007	
5511	COPS - Front Line Law Enforcement Fund	92,772	92,772	
Total Governmental Funds		44,782,694	\$ 44,782,694	\$ -